LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 693** HLS 09RS 826
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 21, 2009 1:13 PM
Author: GREENE
Dept./Agy.: Economic Development
Subject: Film Infrastructure Tax Credits
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TAX CREDITS EG1 SEE FISC NOTE GF RV See Note

Provides relative to the motion picture investor tax credit for certain state-certified infrastructure projects

Current law provides that applications for infrastructure projects filed on or before August 1, 2007 shall have until January 1, 2010 to qualify for 40% tax credits earned on expenditures. A minimum of 20% or $10 million of qualified investment expenditures initially certified must be expended to earn tax credits.
Proposed law provides that a project application filed on or before August 1, 2007 and that received initial certification by December 31, 2009 shall be entitled to receive tax credits of 40% of qualifying expenditures. A minimum of 20% or $10 million must be expended by December 31, 2009. If a project fails to obtain an initial certification letter or fails to expend the minimum amount by December 31, 2009, then no expenditures are entitled to tax credits. Appeals of denied applications are provided for, and a definition of infrastructure project is amended into Act 456 of 2007 that includes only projects applied for by August 1, 2007. Caps the amount of infrastructure tax credits that can be approved each fiscal year at $25 million, and requires a first-come, first-served process for tax credit approval. Effective upon governor's signature.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

According to the Department of Economic Development (LED), so long as the bill extends the life of the program only to the existing pool of applications that LED has already been administering, no additional resources will be necessary to insure that the provisions of this bill are carried out.

REVENUE EXPLANATION

According to the Department of Economic Development (LED), there are 18 approved “grandfathered” project applications eligible for the provisions of this bill. These projects reported approved total budgets of $2.1 billion, with associated 40% tax credits of $847 million. Information as of June 2009 indicates that, nine of these projects, in total, had reported only $48.6 million of expenditures and $19.3 million of associated tax credits. Given the relatively small amount of activity from the applicant pool and the fact that the bill requires these applicants to have made 20% of their project expenditures or $10 million by December 31, 2009, it seems unlikely that all of this revenue loss exposure would be realized by the State.

Under the minimum-spend deadline of December 31, 2009, the Department of Economic Development (LED) indicates that there might be five projects (of the “grandfathered” project applications) that may be able to meet the provisions of this bill (although other projects are eligible to make the minimum spend by the bill’s deadline). These five projects have initially certified total budgets of $1.483 billion, with associated 40% tax credits of $593.1 million. While all of these projects or expenditures may not occur and their associated tax credits not be issued, three of these projects have testified in favor of this bill or other comparable bills in both chambers, and make up $321.1 of this state tax credit exposure.

This potential tax credit exposure and eventual realization would likely be spread over a number of years as projects make expenditures, audit reports are completed and reviewed, credits are issued and transferred, and then realized against tax liabilities. It should be noted though, that the state revenue forecast anticipates only revenue losses consistent with current program credit issuance and realization levels. Actual realization levels are still unknown, since tax year 2008 is the first year for which a specific identification of this credit’s claims is incorporated onto tax forms, but total program credit issuance has only been $24.874 million. Thus, activity levels reported by LED through June 2009, suggest that the current revenue forecast can anticipate no more than $25 million per year in credit realizations.

The bill provides that no more than $25 million per fiscal year of tax credits can approved for the infrastructure program as a whole, on a first-come first-served basis, although unused credits from a fiscal year can be carried forward for use in a subsequent fiscal year.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $500,000 Annual Fiscal Cost		☐ 6.8(F) >= $500,000 Annual Fiscal Cost
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

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